


DATE: May 28, 2009

TO: CVRC Board of Directors

VIA: Gary Halbert, Deputy City Manager/Development Services Director

FROM: Maria Kachadoorian, Director of Finance/Treasurer 

SUBJECT: Proposed FY 2009-10 Redevelopment Agency Operating and Capital Improvement Budget

BACKGROUND:

On June 9, 2009, the Finance Department will present a comprehensive budget package to the City Council and Redevelopment Agency for fiscal year 2009-10. This report provides a summary of the key elements of the budget package that affect the operations of the CVRC and Redevelopment Agency, which is included as Attachment "A" to this report.

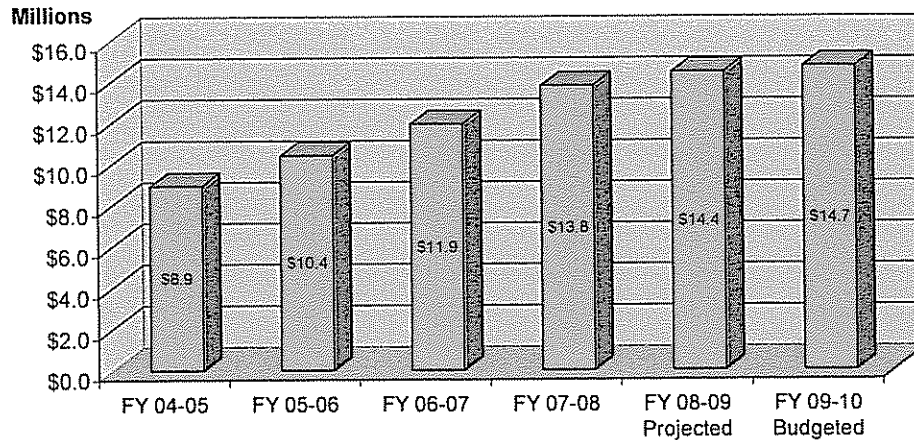
RECOMMENDATION:

Adopt the resolution recommending that the Chula Vista Redevelopment Agency adopt the proposed operating and capital improvement budget for the Redevelopment Agency and Housing Authority for Fiscal Year 2009-10.

DISCUSSION:

Redevelopment Agency Revenues

In accordance with California Redevelopment Law, a Redevelopment Agency obtains funding for its redevelopment projects through a property tax apportionment method called "tax increment financing." Tax increment is available for re-investment in the project area and may be used to pay off any debt created in implementing the Redevelopment Plan. Tax increment does not create new taxes; it simply redistributes the growth in the annual tax base within the project area. For FY 2009-10 the Agency estimates it will receive **\$14.7 million** in gross tax increment revenue.



All tax increment monies generated are allocated among three basic public uses: (1) Affordable Housing, (2) Schools and Other Public Agencies, and (3) Redevelopment Activities (debt, administration, development agreements and capital improvement projects.)

Housing Funds

California Redevelopment Law requires a Redevelopment Agency to set aside a minimum of 20 percent of all gross tax increment revenues generated within its Project Areas to a separate fund which is to be used exclusively for the preservation, improvement and expansion of the low and moderate income housing supply within the community. In FY 2009-10, the Agency estimates the set aside amount to be approximately **\$2.9 million**. These funds will be used to implement and administer housing programs and projects.

The Agency will concentrate on housing activities that are most applicable to the Agency's goals and objectives. In developing its affordable housing program, the Agency has been guided by the goals and objectives of the City's Housing Element and Implementation Plan. The Agency will utilize Low and Moderate Income Funds and Housing Authority resources to support and advance the overall housing program.

Other Expenses

Other expenses, as represented in the redevelopment budget, including all pass-through payments to taxing agencies, development agreement obligations, city staff services and property tax administration fees (**\$0.1 million**) charged by the County totaling approximately **\$14.6 million** for FY 2009-10.

Schools and Other Public Agencies or Pass Through Payments

Pass through payments are required by state law to be made to taxing entities to ensure they are not negatively affected by a redevelopment plan. The taxing entities, which receive payments, are the Sweetwater Union High School District, the County Office of Education, the Chula Vista Elementary School District, Southwestern Community College and the County of San Diego, totaling an estimated **\$2.6 million** in pass through payments for FY 2009-10.

Development Agreements

In addition to pass through payments, the agency has budgeted about **\$0.1 million** for obligations outlined in an agreement entered into in 1999 with the Goodrich Aero Structures Group (Relocation Agreement).

City Staff Services and Overhead

The City staff services and overhead represent expenditures for other city department staff services other than Redevelopment and Housing such as City Attorney, City Clerk, Human Resources, Planning, Engineering, Information Technology and building usage charges. The total estimated cost for these city staff services in FY 2009-10 is approximately **\$0.3 million**.

Agency Personnel

The fiscal year 2009-10 budget allows staff to be directly charged to the funding source. Direct charges from other departments and a citywide overhead rate continue to be applied, but are reflected as a separate line item in the Agency budget (City Staff Service and Overhead, as described above). The total budgeted salary and benefits expense, for fiscal year 2009-10 is approximately **\$0.6 million**.

Services and Supplies

To support the redevelopment work program, costs for services and supplies are estimated for FY 2009-10 at **\$0.6 million**.

Capital Improvement Projects

The Agency is allocating approximately **\$1.25 million** for three capital improvement projects that will include a Storefront Renovation Program (\$150,000) for businesses along Third Avenue and the Broadway Corridor, matching funds for the Palomar SANDAG Specific Planning Grant (\$75,000) and the construction of the Third Avenue Streetscape Master Plan (\$800,000).

Non-Capital Improvement Project

The Agency is also allocating approximately \$300,000 dollars to pay for City staff to continue their work on two projects that include the Bayfront Master Plan (\$150,000) and preparation of a Southwest Specific Plan (\$150,000).

Debt

Usually, the flow of tax increment to the Agency is not sufficient to finance the full scope of redevelopment activities. Therefore, agencies issue bonds to capitalize the tax increment. The bonds work like loans that the Agency is responsible for repaying over many years. These bonds are not a debt of the City or County and are repaid solely from tax increment revenues. The Redevelopment Agency currently has about \$41.1 million in outstanding bonds. The total cost for debt service in FY 2009-10 will be approximately **\$3.7 million**.

General Fund Debt Repayment

A Redevelopment Agency is required to have debt in order to collect tax increment, so debt is a good thing for an Agency to maintain. A loan from a city is the most common way for an Agency who adopts a new project area to incur debt and begin collecting TI revenue. Since the inception of the first redevelopment project area in 1972 until Fiscal Year 2007-08, the Agency has incurred approximately \$30.7 million in outstanding loans from the City's General Fund. The Agency borrowed for project area start up costs, miscellaneous projects and annual debt service payments on Certificate of Participations (\$15 million) issued for a parking garage in Town Center II. Loans received from the City do not have a time period for repayment which allows the City to call the loans at anytime. Due to the City's current financial situation the Agency has made the following efforts to repay the General Fund.

At the close of **Fiscal Year 2008-09** the Redevelopment Agency anticipates repaying approximately **\$4.6 million** to the General Fund from the following sources:

Source	Amount
2008 Tax Allocation Bond	\$3,700,000
Unanticipated Tax Increment Revenue	\$ 900,000
Fiscal Year 2008-09 Total	\$4,600,000

In **Fiscal Year 2009-10** the City is requesting the Agency to repay **\$2.8 million** to the General Fund from tax increment. By the end of FY 2009-10 the Agency will have reduced the outstanding loan balance by approximately \$7.4 million, leaving an outstanding balance of approximately \$23.3 million.

CONCLUSION:

The proposed annual budget has been prepared to provide the necessary funding within allowable revenues to accomplish the approved work plan for the Redevelopment Agency.

DECISION MAKER CONFLICTS:

Staff has reviewed the property holdings of the CVRC Members and has found a conflict exists for Director Salas, as he has property holdings within 500 feet of the boundaries of the two Capital Improvement Projects being recommended for funding through this action.

ATTACHMENTS:

1. Proposed 2009-10 Redevelopment Agency Budget

PREPARED BY: *Phillip Davis, Assistant Director of Finance*

CVRC RESOLUTION NO. 2009- _____

RESOLUTION OF THE CHULA VISTA REDEVELOPMENT
CORPORATION MAKING RECOMMENDATION TO THE CHULA
VISTA REDEVELOPMENT AGENCY TO ADOPT THE PROPOSED
OPERATING AND CAPITAL IMPROVEMENT BUDGET FOR THE
REDEVELOPMENT AGENCY AND HOUSING AUTHORITY FOR
FISCAL YEAR 2009-10

WHEREAS, the Chula Vista Redevelopment Corporation (CVRC) of the City of Chula Vista has received and considered the Chief Executive Officer's proposed Redevelopment Agency budget for fiscal year 2009-10; and

WHEREAS, a stated specific purpose of the CVRC is the development of recommendations regarding the strategic priorities to be programmed by the Redevelopment Agency of the City of Chula Vista through its annual budget; and

WHEREAS, the proposed annual budget submitted by the Chief Executive Officer has been prepared to provide the necessary funding to accomplish the approved work plan; and


WHEREAS, housing fund expenditures for planning and administration are necessary for the production, improvement or preservation of affordable housing.

NOW, THEREFORE, BE IT RESOLVED that the Chula Vista Redevelopment Corporation does hereby recommend that the Chula Vista Redevelopment Agency adopt the proposed operating and capital improvement budget for the Redevelopment Agency and Housing Authority for Fiscal Year 2009-10.

Presented by:

Approved as to form by

Jim Sandvoal
Chief Executive Officer


For Bart Meisfeld
General Counsel